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SUBJECT: SPECIAL REPRESENTATIVE MERMOUD PUSHES FOR
GREATER MARKET ACCESS DURING APRIL 21-22 CHINA VISIT

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REF: A. BEIJING 2007 6959

- [1](#)B. BEIJING 2008 0487
- [1](#)C. BEIJING 2008 1212
- [1](#)D. BEIJING 2008 1136

[1](#)1. (SBU) Summary. United States Department of State Special Representative for Commercial and Business Affairs J. Frank Mermoud met with Ministry of Housing Urban-Rural Construction (MHURC) officials and construction industry leaders on April 21 and 22 to follow-up on the March 4th United States-China Architecture, Construction, and Engineering (ACE) Services Dialogue and discuss areas for further cooperation. Mermoud also met with Ministry of Science and Technology (MOST) officials on April 22 to emphasize the importance of continuing our on-going Innovation Dialogue with China and propose a one-day academic seminar on promoting innovation in June on the margins of SED IV.

[1](#)2. (SBU) In April 21 and 22 meetings with China Export and Credit Insurance Corporation (SINOSURE) officials and in a meeting with Chairman of China state-owned construction and engineering services company Sinoma International Engineering, Mermoud reiterated the importance of further collaboration on developing the surety bond industry in China and exploring commercial opportunities for Third Country United States-China cooperation in the construction and insurance sectors. Mermoud also met with Westinghouse Vice President of Nuclear Power Plants in China to discuss commercial opportunities for United States companies in China's civil nuclear power industry. End Summary.

Topics for Next U.S.-China Construction Dialogue

[1](#)3. (SBU) On April 21, Mermoud met with Director General Wang Suqing of the Ministry of Housing and Urban-Rural Construction (MHURC) Department of Market Administration and Deputy Director General (DDG) Wang Zaosheng to discuss areas for further collaboration as a follow-up to the March 4 United States-China

Architecture, Construction, and Engineering (ACE) Services Dialogue held in Washington, DC. DDG Wang stated MHURC is interested in pursuing the following topics for the next ACE Dialogue including: more government-to-government exchanges at the state, city, municipal, and local levels, technical discussions with United States construction industry leaders on construction management techniques in areas of safety and quality assurance as well as economic management of construction projects, and technical exchanges on green building and energy conservation.

14. (SBU) DDG Wang also told us that MHURC is interested in furthering United States-China dialogue on surety and licensing bonds, engineer licensure, and architect licensure as a follow-up to the March 4 Dialogue. Mermoud reiterated the need for more clarity in licensing regulations regarding opportunities for United States firms to engage in engineering, construction, and architecture design projects (ref A). Mermoud asked that the foreign staffing requirements under Decree 114 be permanently removed. DDG Wang said MHURC will continue to "temporarily" remove the foreign staffing requirements, but did not commit to making it permanent.

MOC Name Change and Leadership Changes

15. (SBU) When asked about MHURC's merger with China's Department of Transportation, DDG Wang stated there are no major restructuring changes within MHURC except for the change in name from Ministry of Construction

BEIJING 00001625 002 OF 004

to Ministry of Housing Urban-Rural Construction. Wang stated the name change occurred in early March because the Central Government wants to place greater emphasis on providing affordable housing for the populace and focus on more balanced urban-rural development. As far as MHURC's merger within DOT and possible leadership and internal structural changes that may result from the merger, Wang stated it is too early to deliberate, but that most new appointments and changes would not be made until early June. At the Ministerial level, however, DDG Wang reiterated that MHURC's ministerial leadership has been in place for some time, and that Jiang Weixin is the designated Vice Minister expected to become MHURC Minister. DDG Wang reassured us that there will be no major management changes in the Department of Market Administration nor would the merger affect future United States-China ACE dialogues.

Pushing Forward Innovation and 1-Day Seminar

16. (SBU) Mermoud met with Director of the Ministry of Science and Technology (MOST) Division of Americas and Oceania Wang Qiang on April 22 to express appreciation for MOST's contributions in making the December 10, 2007 Beijing Innovation Conference a success. Mermoud reiterated the need for on-going dialogue and requested MOST consider co-hosting a one-day seminar on innovation to be held at University of Virginia on June 16. Director Wang agreed that the December Innovation Conference was a success and emphasized MOST's commitment to pursuing on-going dialogue.

17. (SBU) Wang expressed concern about the proposed title of the one-day seminar entitled "The Role of Patents in Promoting Innovation" and said any reference to "Intellectual Property Rights" or "patents" in the title would be problematic and that

those topics would fall under Ministry of Commerce (MOFCOM)'s jurisdiction. Accordingly, he suggested finding an alternative title for the seminar such as "Enterprise or Business Innovation" and requested that we submit our proposal via a letter addressed to higher levels within MOST to ensure a more efficient and quicker response from China's interagency working group on innovation. If the above two conditions could be met, Wang appeared optimistic that it would be possible for MOST to co-host the seminar and for the seminar to occur on the sidelines of SED IV.

Surety Bonds and Third Country Cooperation

¶8. (SBU) Mermoud met with China Export and Credit Insurance Corporation (SINOSURE) Vice-President (VP) Zhang Weidong and Chairman of China state-owned construction and engineering services company Sinoma International Engineering Chairman Wang Wei in separate meetings on April 21 and April 22 to explore opportunities for United States-China collaboration in developing the surety bond industry in China and exploring commercial opportunities for Third Country U.S.-China cooperation in the construction and insurance sectors. VP Zhang and Chairman Wang expressed interest. Zhang stated that surety bonds are a product unique to the United States, that China needs more time to develop its own surety industry, and that SINOSURE would like to work in partnership with a United States insurance company to offer co-surety or reinsurance (ref B).

¶9. (SBU) Mermoud offered to refer VP Zhang to President of the Surety and Fidelity Association of America to help answer any questions SINOSURE may have regarding the United States surety market. Zhang welcomed the offer, and revealed that SINOSURE hired a United States consulting firm to assist them in the process and that SINOSURE has been interacting with three United States insurance companies to find ways

BEIJING 00001625 003 OF 004

to issue surety bonds in the United States. When asked about third country involvement, Zhang noted SINOSURE is actively involved in promoting Chinese construction projects in Africa, the Middle East, and Central Asia.

¶10. (SBU) On April 21, Sinoma Chairman Wang Wei said Sinoma would support United States efforts to promote dialogue on construction and engineering services including in the area of developing the surety bond industry in China. Chairman Wang noted that Sinoma International Engineering is increasingly involved in construction projects in Russia, Central Asia, Saudi Arabia, Libya, Egypt, Ethiopia, South Africa, and Nigeria. He said Sinoma has six construction projects underway in Russia and 10 projects in Central Asia. He noted that from January to April 2008, the contract value of exports for his company has already surpassed that of last year. Wang expressed interest in finding a United States partner to work on energy projects, energy efficient power plants, and industrial waste processing. Mermoud suggested Wang coordinate with the United States Foreign Commercial Service to explore opportunities for third-country collaboration.

Window of Opportunity for Nuclear Advocacy

¶11. (SBU) Mermoud met with Westinghouse China Vice-President Bill Poirier to discuss future opportunities for United States companies in China's civil nuclear

power industry. The current political situation in China could provide an ideal opening to advocate for additional purchases of U.S. reactor technology, Poirier said. Anti-French sentiment is on the rise, the leadership has announced plans to build nuclear plants in the interior in response to massive February snow storms which cut-off coal shipments (ref C) and therefore electricity for as many as several weeks in some locations, and China has announced purchases of both French and Russian reactors since the December 2007 Westinghouse announcement.

¶12. (SBU) Poirier said that China has released plans to build 18 reactors at inland sites along with another four reactors at each of the two current AP1000 sites, and has expressed a preference for Gen III nuclear technology at these sites. Chinese officials have asked Westinghouse if the AP1000 could be adapted for inland use; Poirier noted that the AP1000 was actually designed for inland use and had been adapted for the current coastal AP1000 sites. While the AP1000 would presumably be the frontrunner, he continued, the final decision will ultimately be a political one as there is much contention in government and industry nuclear circles about how quickly China should build the first-of-its kind AP1000 fleet (refs C and D).

Quicker Contracts = More U.S. Sourced Equipment

¶13. (SBU) Poirier said that Westinghouse's expected scope for these projects is greater the earlier the plant is ordered; he estimated each two plant order would be worth USD 1 billion to Westinghouse and its United States partners. Westinghouse is hoping to get two plants at each of the three inland sites. (Comment: The list of planned reactors provided by Westinghouse showed 100 total plants at 21 sites. China currently has 11 operating nuclear plants and plans to have up to another 45 completed by 2020 with 18 under construction at that time (ref C); China has not yet formally announced a timeframe for 100 operating reactors. China will probably initially announce a bid for two reactors at each internal site, for as many as six plants in the first round. The inland sites are Dafan near Wuhan in Hubei province, Taohuajiang near Changsha in Hunan province, and Pengze near Nanchang in Jiangxi province. End

BEIJING 00001625 004 OF 004

comment.)

Need for Greater International Advocacy

¶14. (SBU) China has expressed a preference for PressurizedWater Reactors (PWRs) in previous bids and is not expected to change this in the near future. However, although Westinghouse is currently the only U.S. commercial PWR supplier, opportunities exist for other companies to supply China's nuclear industry with components and services beyond the nuclear island, such as auxiliary equipment, turbine-generators, valves, etc. Mermoud noted to Poirier that the U.S. nuclear industry needs to be more visible in China and throughout the world, and suggested that Westinghouse augment its presence at international venues, such as by providing "cost-free experts" to the International Atomic Energy Agency, as is the custom of the French.

¶15. (U) This message was cleared by Special Representative Mermoud.

